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Senator Gregg's Opening Statement at Hearing on Economic & Budget Challenges for the Short & Long Term
March 3, 2009
(unofficial transcript)

Thank you, Senator Wyden and thank you, Mr. Chairman, for attending this hearing today. I think that Senator Wyden as Acting Chairman has touched at the core of the one the primary issues I am interested in, which is the question of confidence.

Whether or not the economy recovers depends in large part on confidence of the American people in the value of their homes and in the fact that they'll keep a job; confidence of those people who buy our instruments that our debt is solid and sound; confidence that our currency is strong. And I think there are questions out there that have been raised by the budget that's been presented to us by the Administration relative to the ability to build on that confidence. I'm going to be interested in hearing your reaction to that.

The budget, as its proposed, essentially nationalizes all income over $250,000, nationalizes healthcare, nationalizes student loans; we're in the process of nationalizing our banking system and in addition, it creates a national sales tax on the production of energy. While creating this massive expansion in the size of government, it proposes that we have a debt as a percentage of GDP which will go to almost historic levels during anytime in the post-World War II period, 67% of GDP.

In the short-run, one can accept the fact that debt is going to go up significantly, because of the need to address this economy with liquidity that only the government can put into it. But in the long-run, one has to ask, how can this country sustain a debt to GDP ratio of 67%? Deficits of over 3% for as far as the eye can see and expect to maintain the value of the dollar or the ability of people to come and buy our debt?

There are two core issues here. The first is how we get the economy out of the hole that it is in, and that means stabilizing the markets and stabilizing the financial industry, and at the bottom of that is stabilizing real estate and also stabilizing the loan structure around general consumer activity. You've set up the TALF proposal which is a prospective attempt to do that. But my question remains for you, how are we going to do it for the bad debt that is still on the books?

Secondly, there is the issue of the long-term debt of the United States. The fact that we are moving into a period when the Baby Boom generation is retiring and will be close to full retirement at the end of this presidency, should this president be re-elected. There is a tsunami of debt headed at us, $66 trillion dollars of unfunded liability. It will essentially overwhelm the capacity of our children to pay it and the ability of this nation to sustain it. And unless we move forward on addressing it, I suspect it will cause the international community to question the value of our currency, and our ability to sell them our debt. And I am interested in knowing your thoughts on that.

So I appreciate you coming here today. We are obviously in a period of extreme distress as a nation from a fiscal standpoint, and our people are suffering. They're losing jobs, losing homes and wondering where they are going to be next week, next year, relative to their financial house. And we really look to the Fed as our rock in this exercise and you've done very well so far in a very trying time, but we need your advice and counsel as we go forward.

Thank you, Mr. Chairman.

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